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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Roger A. Meece
A: Special Representative of the Secretary-General
MONUSCO

DATE: 14 September 2011

FROM: Fatoumata Ndiaye, Director
DE: Internal Audit Division, OIOS



REFERENCE: IAD: 11- 00579

SUBJECT: **Assignment No. AP2011/620/02 – Audit of contingent-owned equipment (COE) in**
OBJET: **MONUSCO**

Overall results relating to the effective management of contingent-owned equipment were unsatisfactory

1. Attached please find the final report on the above-mentioned audit.
 2. Annex-I shows the status of recommendations. Please note that OIOS will report on the progress made to implement its recommendations in its annual report to the General Assembly and to the Secretary-General annually for important recommendations (Nos. 1 to 6).
 3. Please note that under General Assembly resolution 59/272, a Member State may request that the final audit report be made available. Also, note that pursuant to General Assembly resolution 64/263, OIOS will include the complete management response as an appendix to the present report.
 4. Please note that OIOS will report on the progress made to implement its recommendations, in its annual report to the General Assembly and semi-annual report to the Secretary-General.
 5. We wish to express our appreciation to the Management and staff of MONUSCO for the assistance and cooperation extended to the auditors during this assignment.
- cc: Mr. Paul Buades, Director of Mission Support , MONUSCO
Mr. David Pittfield, Chief Integrated Support Services, MONUSCO
Lt. General Chander Prakash Wadhwa, Force Commander, MONUSCO
Mr. Abdallah Wafy, Police Commissioner, MONUSCO
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwanye, Executive Secretary, IAAC
Mr. Zachary Ikiara, Chief, Oversight Support and Coordination Unit, DM
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS

AUDIT REPORT

Audit of contingent-owned equipment in MONUSCO

BACKGROUND

Troop and police contributing countries (T/PCCs) contribute equipment to the United Nations Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) to assist in accomplishing their assigned tasks. The United Nations reimburses T/PCCs for the use of the equipment – contingent-owned equipment (COE) at rates established by the General Assembly and specified in the memoranda of understanding (MoUs) established by the United Nations and T/PCCs. The troop and police strength in MONUSCO is about 18,000 and there are 61 MoUs requiring the provision of equipment. The Mission's annual budget for reimbursements to T/PCCs for major equipment and self-sustainment in the fiscal years 2008/09, 2009/10 and 2010/11 were \$144 million, \$160 million and \$180 million, respectively.

This audit was included in the 2011 OIOS' risk based work plan due to the high impact of COE on MONUSCO's operations, as well as its significant budget.

OBJECTIVE AND SCOPE

The audit was conducted to assess the adequacy and effectiveness of MONUSCO's risk management, control and governance processes in providing reasonable assurance regarding the effective management of COE and compliance with the relevant MoUs and United Nations policies and procedures. The key controls tested for the audit included those related to oversight mechanisms and regulatory framework. The audit covered MONUSCO's COE management activities related to the two key controls for the period from 1 July 2009 to 31 December 2010.

AUDIT RESULTS

In OIOS' opinion, the risk management, control and governance process examined were **unsatisfactory** to provide reasonable assurance regarding effective management of COE and compliance with the relevant MoUs and United Nations policies and procedures. MONUSCO did not have a functioning COE and Memorandum of Understanding Management Review Board (CMMRB). A large number of COE was not serviceable, and the COE Unit did not perform the required operational readiness inspections. Moreover, no safety surveys were conducted to ascertain the roadworthiness of COE, and insurance coverage was maintained for a large number of repatriated and unserviceable vehicles.

The COE and Memorandum of Understanding Management Review Board was ineffective

MONUSCO had established a CMMRB in June 2008 as previously recommended by OIOS. However, it only convened once in late November 2009. This meeting decided to establish a CMMRB Working Group to review what needed to be addressed and propose action to be taken. The CMMRB Working Group made a number of recommendations to improve the management of the COE; however, they were still not implemented. These included: (a) to resolve disagreements between the COE Unit and the Office of the Force Commander on the criteria for declaring COE unserviceable; and (b) the need for modification to MoUs to allow troops to be directly involved in the management of United Nations-owned equipment and supplies at high risk locations where civilians were not present.

<p>(1) MONUSCO should ensure that the CMMRB meets regularly to address issues under its purview, documents its decisions, establishes a timetable for the implementation of its decisions, and follows up on the implementation of decisions.</p>
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MONUSCO accepted recommendation 1 and stated that it will ensure that CMMRB meets regularly to resolve issues under its purview. A CMMRB meeting was convened on 24 June 2011. The deliverables for the meeting were: (a) the Force Commander's recommendation to DPKO for a military capability review of MONUSCO; (b) an agreement that the COE Unit will conduct operational readiness inspections; and (c) an agreement of the schedule of the next CMMRB meeting. Based on the action taken, recommendation 1 has been closed.

Percentage of serviceability of COE needed improvement

From unserviceable major and minor equipment reports for the period from 1 July 2009 to 31 December 2010 prepared by the COE Unit, it was noted that:

- Eleven of the Mission's 26 infantry battalions (42 per cent) had COE serviceability percentages below the required 90 per cent for two consecutive years (ranging from 25 per cent to 90 per cent).
- Nineteen of the Mission's 41 enabling units (e.g., hospitals, engineering companies, Formed Police Units) had serviceability percentages below the required 90 per cent (ranging from 43 per cent to 90 per cent).

(2) MONUSCO needs to ensure unserviceable equipment reports are reviewed and unserviceable equipment repaired or replaced in a timely manner.

MONUSCO accepted recommendation 2 and stated that equipment serviceability was discussed at the CMMRB meeting held on 24 June 2011. Contingents that do not meet the equipment serviceability requirements were identified and communications are being addressed to the respective T/PCCs' permanent missions to the United Nations through DPKO and DFS. While contingents, not MONUSCO, are responsible for repair and replacement of COE, MONUSCO will continue to pursue serviceability issues with the concerned permanent missions. Recommendation 2 remains open pending receipt of copies of communications from DPKO and DFS to permanent missions regarding the need to repair and replace COE in a timely manner.

Independent operational readiness inspections were not being done

Arrival, repatriation and quarterly inspections were carried out in compliance with DFS' operational guidelines. However, the COE Unit did not conduct operational readiness inspections, as there was a lack of consensus between the Offices of the Force Commander and Police Commissioner and the COE Unit as to who was responsible for these inspections. While the Offices of the Force Commander and the Police Commissioner conducted inspections bi-annually, these were not independent and the results of the inspections were not shared with the COE Unit.

(3) MONUSCO should ensure that operational readiness inspections are regularly conducted to establish that contingent-owned equipment conform to the terms and conditions of the relevant memoranda of understanding.

MONUSCO accepted recommendation 3 and stated that operational readiness inspections will be conducted and that the first inspection will be done during the periodic verification inspection Phase – IV (October – December). Recommendation 3 remains open pending confirmation that operational readiness inspections have been carried out by the COE Unit.

Safety inspections of equipment were not conducted to ascertain roadworthiness

No safety surveys were conducted by the Transport Section to ascertain the roadworthiness of COE, even though the COE Unit showed serviceability percentages that were below the required level, and COE reports included comments that vehicles had faulty engines, gear boxes, brakes and clutches. In addition, according to the Mission's Electronic Fuel Accounting System (MEFAS), 60 of the 73 vehicles classified as unserviceable were being provided with fuel, indicating that they were being driven.

- (4) MONUSCO should ensure that periodic safety inspections of contingent-owned vehicles are conducted to ascertain their roadworthiness and vehicles found not roadworthy are repaired or replaced.**

MONUSCO accepted recommendation 4 and stated that it conducts inspections throughout the year to establish COE serviceability status. The implementation of operational readiness inspections will enhance roadworthiness. Also, during the equipment serviceability review, contingents that do not meet the serviceability standards will be reported to DPKO and DFS and the relevant permanent missions be formally requested to take appropriate action to return any and all such COEs. Based on assurances provided by Management, recommendation 4 has been closed.

Monitoring and reporting of levels of contingent-owned equipment

All changes in the size of MONUSCO's fleet should be recorded in the Monthly Insurance Report sent to DFS, which handles insurance for missions' vehicles. There is an insurance premium adjustment when the change in fleet size is more than five per cent. As of 31 December 2010, the COE database showed 1,836 vehicles, but 3,245 vehicles including vehicles that were unserviceable and repatriated were included in the insurance policy.

- (5) MONUSCO should establish a process to ensure that unserviceable or repatriated contingent-owned equipment are reported to the Transport Section in a timely manner in order to remove them from the MONUSCO's insurance policy.**

MONUSCO accepted recommendation 5 and stated that access to the COE database has been provided to the Transport Section and monthly reports of the Force and Police Headquarters showing unserviceable or repatriated COE are sent to the Transport Section. Based on action taken, recommendation 5 has been closed.

The Mission Electronic Fuel Accounting System

The COE Unit provided the Fuel Unit with records of deployed contingent-owned vehicles for inclusion in MEFAS in order to monitor their consumption of fuel. However, the records of repatriated vehicles were not provided to the Fuel Unit to ensure they were deleted from MEFAS. There was thus an unmitigated risk of fuel being obtained in the name of repatriated vehicles. For example, fuel had been issued to contingents for one repatriated vehicle at two different locations and four per cent of the sample of contingent-owned vehicles classified as unserviceable and/or repatriated were still recorded as eligible to receive fuel.

- (6) MONUSCO should ensure that records of contingent-owned vehicles declared not to be roadworthy or that have been repatriated are deleted from the Mission Electronic Fuel Accounting System.**

MONUSCO accepted recommendation 6 and stated that it has been implemented. To ensure that the Fuel Unit has up-to-date data on vehicle repatriation and roadworthiness, it has been provided with read-only access to the COE database maintained by the COE Unit and technical compliance operatives have been designated in the Supply Section to monitor MEFAS records. Based on the action taken, recommendation 6 has been closed.

ACKNOWLEDGEMENT

OIOS wishes to express its appreciation to the Management and staff of MONUSCO for the assistance and cooperation extended to the auditors during this assignment.